

**NATIONAL DAIRY MARKET AT A GLANCE**

**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (1/17):**  
**BUTTER:** Grade AA closed at \$1.0725. The weekly average for Grade AA is \$1.0742 (-.0283).

**CHEESE:** Barrels closed at \$1.1100 and blocks at \$1.1700. The weekly average for barrels is \$1.1120 (+.0060) and blocks, \$1.1575 (+.0345).

**NONFAT DRY MILK:** Extra Grade closed at \$0.8900 and Grade A at \$0.8900. The weekly average for Extra Grade is \$0.8900 (N.C.) and Grade A, \$0.8900 (N.C.).

**BUTTER:** The cash butter market tone is weak. Producers and handlers indicate that cream offerings across the country are heavy from both local and out of area sources. Churning activity is seasonally very active. Often, current churning schedules are surpassing fresh demand, thus surplus butter is clearing to storage programs. Overall buying interest is slow and unaggressive. Many buyers continue to work down carryover volumes from the yearend holiday period. Retail orders are basically for short term needs with few features noted at this time. Food service orders are fair.

**CHEESE:** The cheese market is unsettled. Orders have been shipped for Super Bowl activities. Current activity is generally slow to moderate. Additional cheese volumes have been produced for possible clearance to CCC. Substantial volumes of cheese produced during the yearend holidays are still working through the system. Extra cheddar is entering aging programs, whether entirely planned or not. Current cheese production is increasing seasonally though well below volumes produced during the recent holiday period.

**FLUID MILK:** U.S. milk production is trending steady to higher. Heavier output is mostly noted in the West. Bottling interest is mixed. While pending storms in the Southeast region are encouraging Class I sales, movement is generally fair and often less than anticipated elsewhere. Milk movement into Class II manufacturing facilities is seasonally strong in preparation for Super Bowl orders. Fluid cream supplies are heavy. Surplus cream is generally moving into churns with some supplies in the East shipped to the Midwest for processing. Cream prices are lower in response to reduced multiples and lower butter prices at the CME. As a result, cream movement into ice cream facilities is increasing as producers take advantage of the lower priced market and build inventories for anticipated sales this spring/summer.

**DRY PRODUCTS:** Dry products markets are generally weak and prices are trending lower. Trade sentiment indicates that prices may be leveling, encouraging buyer interest and inquiry. NDM sales to the CCC from the Central region reportedly ceased for the current week. Prices throughout the nation are

lower and progressing closer to the support price level of \$0.80. Buttermilk production is heavy. Increased condensed buttermilk interest from ice cream producers is deterring drying in some Central locations. However, heavy current stocks are encouraging producer discounts, especially in the Central region. Western whey prices are sharply lower in an effort to clear heavy stocks and become more price competitive with the Central region. WPC and lactose prices are unchanged on steady production schedules.

**CCC:** For the week of January 13 - 17, CCC purchased 712,800 pounds of Central process cheese, 41,536 pounds of Western barrel cheese and 13,379,406 pounds of Western NDM.

**JANUARY MILK SUPPLY AND DEMAND ESTIMATES (USDA, WAOB):** Milk production forecasts for 2002/2003 are lowered slightly from last month. Although the rate of decline in cow numbers for the year is reduced from last month, gains in milk per cow continue to lag historical trends. Relatively weak milk prices in 2003 are expected to provide little incentive to increase output per cow. Class III prices are expected to be weaker at \$9.85-\$10.35, down slightly from last month, and Class IV prices are forecast at \$10.05-\$10.75. The all milk price will average \$11.35-\$11.85.

**OCTOBER MAILBOX MILK PRICES (AMS, CDFA):** In October 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$12.00, \$0.60 more than the figure for the previous month. Most of this month-to-month increase results from generally higher Federal milk order minimum producer milk component prices and higher producer milk tests for butterfat and protein. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$15.50 in Florida to \$10.87 in Utah. In October 2001, the Federal milk order all-area average mailbox price was \$15.51, \$3.51 higher.

**FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for February 2003 is \$10.23. This price is derived from the advanced Class IV skim milk pricing factor of \$6.20 and the advanced butterfat pricing factor of \$1.2133 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for February is \$6.90 and the Class II nonfat solids price is \$0.7667 per pound. The following are the two-week product price averages: butter \$1.1099, nonfat dry milk \$0.8287, cheese \$1.1358, and dry whey \$0.1787.

\*\*\*\*SPECIAL THIS ISSUE\*\*\*\*

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**CHICAGO MERCANTILE EXCHANGE  
 CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., NONFAT DRY MILK: carlot = 42,000-45,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

PRODUCT	MONDAY JANUARY 13	TUESDAY JANUARY 14	WEDNESDAY JANUARY 15	THURSDAY JANUARY 16	FRIDAY JANUARY 17	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE							
BARRELS	\$1.1000 (N.C.)	\$1.1200 (+.0200)	\$1.1150 (-.0050)	\$1.1150 (N.C.)	\$1.1100 (-.0050)	+.0100	\$1.1120 (+.0060)
40# BLOCKS	\$1.1400 (+.0275)	\$1.1575 (+.0175)	\$1.1600 (+.0025)	\$1.1600 (N.C.)	\$1.1700 (+.0100)	+.0575	\$1.1575 (+.0345)
NONFAT DRY MILK							
EXTRA GRADE	\$.8900 (N.C.)	\$.8900 (N.C.)	\$.8900 (N.C.)	\$.8900 (N.C.)	\$.8900 (N.C.)	N.C.	\$.8900 (N.C.)
GRADE A	\$.8900 (N.C.)	\$.8900 (N.C.)	\$.8900 (N.C.)	\$.8900 (N.C.)	\$.8900 (N.C.)	N.C.	\$.8900 (N.C.)
BUTTER							
GRADE AA	\$1.0800 (N.C.)	-----	\$1.0700 (-.0100)	-----	\$1.0725 (+.0025)	-.0075	\$1.0742 (-.0283)

\*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: The CME will be closed Monday, January 20 for the observance of Martin Luther King Jr. Day.

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, JANUARY 13, 2003

CHEESE -- SALES: 5 CARS 40# BLOCKS: 1 @ \$1.1250, 1 @ \$1.1300, 2 @ \$1.1350, 1 @ \$1.1400; BIDS UNFILLED: 1 CAR 40# BLOCKS @ \$1.1400; OFFERS UNCOVERED: NONE  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.0900

TUESDAY, JANUARY 14, 2003

CHEESE -- SALES: 4 CARS 40# BLOCKS: 3 @ \$1.1500, 1 @ \$1.1525; BIDS UNFILLED: 1 CAR BARRELS @ \$1.1200; 3 CARS 40# BLOCKS: 1 @ \$1.1575, 2 @ \$1.1450; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.1600  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

WEDNESDAY, JANUARY 15, 2003

CHEESE -- SALES: 8 CARS 40# BLOCKS: 1 @ \$1.1600, 2 @ \$1.1575, 1 @ \$1.1500, 2 @ \$1.1550, 1 @ \$1.1575, 1 @ \$1.1600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1150; 1 CAR 40# BLOCKS @ \$1.1625  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER -- SALES: 2 CARS GRADE AA @ \$1.0700; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.0800

THURSDAY, JANUARY 16, 2003

CHEESE -- SALES: 6 CARS 40# BLOCKS: 1 @ \$1.1600, 1 @ \$1.1500, 1 @ \$1.1525, 1 @ \$1.1550, 1 @ \$1.1575, 1 @ \$1.1600; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.1600, 1 @ \$1.1700  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

FRIDAY, JANUARY 17, 2003

CHEESE -- SALES: 9 CARS 40# BLOCKS: 1 @ \$1.1550, 1 @ \$1.1575, 2 @ \$1.1600, 2 @ \$1.1650, 2 @ \$1.1675, 1 @ \$1.1700; BIDS UNFILLED: 4 CARS 40# BLOCKS: 1 @ \$1.1675, 1 @ \$1.1625, 1 @ \$1.1575, 1 @ \$1.1550; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.1100; 1 CAR 40# BLOCKS @ \$1.1725  
 NONFAT DRY MILK -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE  
 BUTTER -- SALES: 6 CARS GRADE AA: 5 @ \$1.0700, 1 @ \$1.0725; BIDS UNFILLED: 1 CAR GRADE AA @ \$1.0600; OFFERS UNCOVERED: 1 CAR GRADE AA @ \$1.0750

**BUTTER MARKETS****NORTHEAST**

The market tone remains unsettled. At the CME, the butter price, in very light trading (one offer), did not change from Friday's (1/10) level. This is in contrast to last week's trading which saw 35 loads sold during the three trading days. Churning activity remained heavy last week. Contacts feel that output will hold at current levels for the next several weeks, because cream supplies are still excessive of current Class II demand. Butter stocks are more than ample for the generally slow demand. Buyers are working down inventories before reordering and, many feel that prices may yet drop below the support price and are waiting to see if that will happen. Retail demand is slow and food service orders are about steady. Sales of bulk butter, f.o.b. East, are reported in a range of flat market to 4 cents over the CME price/average.

**CENTRAL**

The market tone is weak as the cash price at the CME edges lower. Many producers and handlers stated that finally the cash price was headed in the direction that it needed to for this time of the year. Most indicated that churning schedules remained quite strong. Cream offerings from both local and out of area sources remain heavy. Often, prices for the additional cream offerings are quite favorable. Current churning activity is heavier than current demand can absorb, thus surplus volumes are entering inventory programs. Some producers and handlers feel that the cash

price may continue to weaken and bulk butter might clear to CCC. Surplus butter has not cleared to the government support program since early 1995. Overall butter demand is light and unaggressive. Often buyers continue to work down stocks carried over from the yearend holiday period before re-entering the market and those that are in the market are purchasing for short term needs. Bulk butter for spot sales is selling in a range of flat to 2 cents per pound over various pricing basis, but these sales are very limited.

**WEST**

Demand for butter is not aggressive following the yearend holidays. Stores are reordering, but few features are noted at this time. Food service orders are fair. Butter production over the holidays put quite a bit of butter into the market. Production has declined from those very heavy levels, but remains heavy seasonally. Cream is readily available from a number of sources within the region and from other areas. CME weekly butter inventories increased 9.19 million pounds last week to stand at 103.1 million pounds. Last year, the weekly change was larger than this number only once, during the spring production season. 2002 stocks started the year at 23.2 million pounds. Contacts are curious as to what level the USDA Cold Storage figures will come in at next week. Current prices for bulk butter range from 3 cents under to 1 cent under the market based on the CME with various time frames and averages.

**NASS DAIRY PRODUCT PRICES****U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	CHEESE	38% MOISTURE			
	40# BLOCKS	BARRELS	NDM	BUTTER	DRY WHEY
JAN 11	1.1174	1.1195	0.8258	1.1050	0.1809
	7,469,952	13,255,105	24,592,216	4,356,679	11,675,340

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are mixed and the market tone is weak. At the CME, trading levels were both higher and lower last week, but started this week (1/13) with blocks increasing and barrels unchanged. In the Northeast, cheese output is lighter now that bottlers are again processing "normal" volumes of milk. Cheese stocks are adequate for the fair to good demand. Retail sales are slower than the holiday period, but the NFL playoffs do tend to influence cheese and snack food consumption. Food service orders are about steady.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.1850-1.6800
Cheddar Single Daisies	:	1.1425-1.6075
Cheddar 40# Block	:	1.2625-1.5075
Process 5# Loaf	:	1.3150-1.5150
Process 5# Sliced	:	1.3350-1.5825
Muenster	:	1.3475-1.5525
Grade A Swiss Cuts 10 - 14#	:	2.3500-2.5500

## MIDWEST

The cheese market is unsettled with cash prices fluctuating within a trading range. With substantial volumes of cheddar produced during the holidays still eligible for sale on the Chicago Mercantile Exchange as current cheese, most traders expect that prices are unlikely to change substantially in the near term. Super Bowl orders are at least in transit, if not already in store. Cutting activity is generally fair. Mozzarella interest is fair to occasionally good, bolstered by anticipated Super Bowl sales and the return of students to school, including colleges. Best interest has generally been for the specialty varieties. Some extra cheddar is entering aging programs. Barrel demand continues sluggish with extra spot loads available. Process sales are generally fair at best, with additional volumes produced for CCC clearance. Swiss supplies are adequate to fully adequate for the mostly fair, at best, interest. Current cheese production is steady to slightly higher as milk intakes increase seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.2850-1.4900
Brick And/Or Muenster 5#	:	1.5300-1.6825
Cheddar 40# Block	:	1.4500-2.1150
Monterey Jack 10#	:	1.7000-2.1150
Blue 5#	:	1.8750-2.2100
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.4200-2.2150
Grade A Swiss Cuts 6 - 9#	:	1.9500-2.6850

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER		CHEESE	
	:		:
01/13/03	56,195	:	140,940
01/01/03	52,308	:	136,430
CHANGE	3,887	:	4,510
% CHANGE	7	:	3

**Note:** The 2003 numbers are increased by the addition of 4 butter warehouses and 5 cheese warehouses to increase the sample. The January 1, 2003 number has also been adjusted. In 2002, these warehouses would have increased reported totals by 1 - 5 million pounds each, depending on week.

## WEST

Cheese prices were somewhat mixed following trading at the CME cash cheese exchange last week. This week seemed to indicate somewhat of a firming undertone on the exchange, but contacts are not sure that the strength can be long lived. Buyers are not aggressive in the market. They see very little downside to the market and don't anticipate tight supplies anytime in the near future. Therefore, they are only buying cheese on an as needed basis. More Western cheese is going into storage programs because of the light demand and relatively heavy production. Under grade loads of cheese are readily available. Swiss movement is fair for this time of year. Production is at desired volumes. Mozzarella offerings remain heavier than the market can clear. A portion is being frozen for future needs.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.2550-1.5150
Cheddar 40# Block	:	1.2525-1.3925
Cheddar 10# Cuts	:	1.4325-1.6525
Monterey Jack 10#	:	1.4425-1.6025
Grade A Swiss Cuts 6 - 9#	:	2.2600-2.4100

## FOREIGN

Prices are unchanged to fractionally higher on domestic styles. The market tone is seasonally weak. Importers are assessing their needs and preparing orders under their year's licenses. Wholesales and retail orders are slower than the holiday, but still occasionally fair. Reports indicate that the cheese market in the EU is firming and prices are increasing. The Euro is strong compared to the U.S. dollar.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
	:	:
Roquefort	TFEWR	-0-
Blue	2.6400-3.3900	1.4800-2.9700*
Gorgonzola	3.2400-5.9400	1.9975-2.4900*
Parmesan (Italy)	TFEWR	2.8900-2.9800*
Romano (Italy)	2.1000-3.1900	-0-
Provolone (Italy)	3.4400-5.5000	1.4875-1.7150*
Romano (Cows Milk)	-0-	2.6775-4.8500*
Sardo Romano (Argentina)	2.8500-3.2900	-0-
Reggianito (Argentina)	2.6900-3.2900	-0-
Jarlsberg-(Brand)	2.7500-3.6900	-0-
Swiss Cuts Switzerland	-0-	2.3500-2.5500
Swiss Cuts Finnish	2.6000-2.8500	-0-
Swiss Cuts Austrian	TFEWR	-0-
Edam	:	:
2 Pound	TFEWR	-0-
4 Pound	2.1900-2.9900	-0-
Gouda, Large	TFEWR	-0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	27.8000-31.7000	-0-

\* = Price change.

## FLUID MILK AND CREAM

## E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	10	0	15	0	25	0
SOUTHEAST STATES	0	0	0	0	0	23

Regional Milk Market Administrators announced the following, December 2002 uniform prices: Northeast \$12.24, Mideast \$11.12, Southeast \$12.76, Florida \$14.15, and Western New York (a state order) \$12.01 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) Colder weather is prevalent across the East. Florida had frost early in the week and temperatures barely broke the freezing mark in the Middle Atlantic area. Milk production is mostly steady in all areas of the region. The prediction of a late-week snow storm in the Mid-South has bottlers clamoring for more milk and suppliers are having difficulty finding needed loads. One supplier noted that his buyers, collectively, added on more than 100 loads to their normal milk orders. Not all the "add ons" were filled in a timely manner. Last minute calls generally went unfilled until late in the week. The extra milk came from intra-company shipments. Florida's need for milk is closely balanced with its own supply, but handlers did import a "handful" of loads this week. In the Northeast, Class I milk needs are mostly steady. Parts of New York have had heavy snow, but the impact on bottling and retail sales is not as evident as some other areas that get snow less frequently. Surplus milk volumes are tight in the Southeast, lighter in the Northeast. The condensed skim market is little changed. Demand is slow to fair and prices are steady. The fluid cream market is weak. Prices are lower as the CME weekly butter price average did decline 3.0 cents last week. Cream offerings are heavy and excess loads continue to move to local and Midwestern churning facilities. Reports indicate that butter makers are pushing their "pay multiples" lower as the cream supplies increase and the butter market struggles to maintain the current price. Cream cheese production is steady to lighter. Producers appear to be taking fewer spot loads unless multiples are adjusted lower. Ice cream output is typical for this time of year. Some ice cream makers are taking advantage of the relatively low price of fat to replenish and/or build inventories of their best selling flavors. Churning activity is heavy.

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.3230-1.4553
DELIVERED EQUIVALENT ATLANTA	-	1.3340-1.4553 M 1.3671-1.3781
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.3781-1.4443

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9500-1.0000
NORTHEAST- CLASS III - SPOT PRICES	- .8000-.8700

## M I D W E S T

Class I interest is about steady though volumes processed are still slightly below pre-holiday levels for a few upper tier state bottlers, even without the eggnog segment. For others, frequent retail features have been stimulating sales. Around midweek, extra milk was being shipped into Indiana, Ohio, Kentucky, and nearby states where the forecast of a large winter storm was stimulating retail fluid milk sales. Production of items such as chip dips for Super Bowl orders is seasonally active. Cottage cheese movement also seems good seasonally. Manufacturing milk interest is spotty and volumes lighter, but reported prices range from \$1.00 – 1.75 over class. Ice cream production has geared up in January to build needed inventory for sale later in the year. Ice cream produced early helps to reduce the need for the normally higher priced cream during summer. Condensed skim interest is fairly good from Class III and some Class II accounts. Current milk intakes are steady to slightly higher

on a week to week basis. Manufacturing plant schedules remain seasonally active and generally above year ago levels. Temperatures have turned closer to seasonal though snow cover in the upper tier of states is centered on the "snow belt" and/or more eastern areas. The dry conditions and lack of a snow "blanket" is cause for concern over an increase in alfalfa as well as winter wheat winterkill. Further south in more central states within the region which usually receive lesser annual snow amounts and here is generally where larger volumes have occurred this winter. The staff reduction in Wisconsin covering various livestock auctions is the cause for the lack and/or more limited coverage of prices in recent weeks. The change may also affect the availability of hay price information.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	JAN 9 - 15	PREVIOUS YEAR
SLAUGHTER COWS	N. A.	\$ 35.50- 41.50
REPLACEMENT HEIFER CALVES	N. A.	\$420.00-650.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	JAN 9 - 15	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.50- 43.00	\$ 34.00- 43.25

## W E S T

The February 2003 Class I prices in CALIFORNIA range from \$12.00 in the north to \$12.27 in the south. The statewide average Class 1 price based on production is \$12.05. The average is \$0.66 lower than January 2003 and \$1.69 lower than February 2002. Milk production patterns are following trends of recent weeks across most of CALIFORNIA. In the far northern milk shed, seasonal, intermittent rains and wet, cool conditions continue to impact milk output, keeping levels at or near seasonal low levels. In the middle section of the state, output has rebounded from effects of recent wet conditions and cows have regained milk offage and production levels are trending in the plus 2 to 4% range versus a year ago. Last week's high winds in the far southern areas did have a short term impact on milk volumes, but that was recovered after the winds subsided. Bottling milk demand is mixed this week and often not where bottlers expected. Milk output in NEW MEXICO is steady to trending higher. Weather conditions have been kind to cows with temperatures in the 60's and 70's. Milk is moving to normal channels and fluid demand is steady. Low milk prices at the farm level continue to impact management decisions. Western CREAM prices are trending lower in a weak market. The CME butter price is again trending lower and stood on Wednesday (1/15) at \$1.0700, only two cents above the support price. Cream remains available in the region and is moving mainly to contracted accounts with surplus cream moving to the churns. Western cream multiples are 103 to 125, FOB, depending on class usage. More comments about muddy conditions are popping up in the PACIFIC NORTHWEST. Temperatures are very moderate and light moisture has been common over the past few days. Production per cow remains strong in the region. Financial stress on dairies continues to mount with a number of operations closing since the first of the year. Contacts indicate that many producers will be renewing and renegotiating operating loans over the next few months and more foreclosures are certainly possible. Cull rates are beginning to pick up and prices are \$2-3 higher. Heifer prices are firming and demand is good. Producers are looking at booking some additional feed for next year as grain prices slide again. Hay prices are holding steady, but quality is becoming more of a concern. The dry conditions in UTAH and IDAHO are starting to impact the decision making process. Some milk producers are buying some additional supplies of hay in anticipation of short water, tight hay supplies, and higher prices. This is not wide spread, but it may be prevalent enough to keep hay prices firm. The real limiting factor is that most milk producers are not making enough money at this time to cash flow additional hay purchases. Concern is also noted about the amount of corn silage that might be available next crop year. Corn is a high water use crop. Current milk production levels are seasonally heavy in the region.



**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

CENTRAL: Prices are mixed on a weak market. Sales to the CCC are not reported for the current week, moving prices higher at the lower end of the range. However, spot prices continue to adjust lower and more in line with the West coast market. Movement remains best on contracts, especially for the high heat product. Inquiries are predominantly from brokers. Multiple load shipments are available at a discount. Buyer interest in government owned stocks reportedly exists yet sales of government owned stocks are not reported. Production is strong and inventories are building.

EAST: Prices are mostly lower and the market tone is showing some signs of improvement. These signs are often in the form of inquiries, not sales. Most Eastern producers do have NDM on hand to offer, but volumes vary from light to adequate. Spot sales are still slow to develop. Many spot buyers continue to wait for lower prices before reordering. Production levels are not as heavy as the past two or three weeks. Another, bout of storm-induced panic buying of bottled milk is keeping surplus milk volumes relatively light, particularly in the Mid-South.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8400 - .9000 MOSTLY: .8400 - .8600

HIGHHEAT: .8775 - .9300

**NONFAT DRY MILK - WEST**

Western low/medium heat nonfat dry milk prices are lower on the top end of the range and mostly series. Pricing adjustments are slowing as prices approach the support price of 80 cents. Manufacturers are attempting to establish and maintain pricing levels for spot sales. Production levels are active seasonally and continue to be heavier than anticipated. Demand is generally fair as buyers have waited for the bottom before resuming ordering. The sense is that the bottom may have been put in for the near future. During the period of January 1 - 10, CCC purchased 20,807,174 pounds of nonfortified NDM, 19,556,113 pounds from the West. High heat NDM prices continue to move lower. Sales remain weaker than projected and slow. Production levels are being adjusted to compensate for the lack of demand.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .7950 - .9100 MOSTLY: .8000 - .8200

HIGHHEAT: .8400 - .8900

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
January 10	\$.8159	13,875,118	7,928,194
January 3	\$.8194	12,704,007	7,774,428

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California

**DRY BUTTERMILK - CENTRAL**

Prices are lower on a weak market. Large block loads are being sold to brokerage facilities at the lower end of the range. Production is steady to lower as supplies of condensed buttermilk are diverted to ice cream facilities instead of dryers. Inventories are in balance to heavy. Interest is light yet improving at prices reported at the lower end of the range. Some traders suspect that the market may have bottomed and are therefore taking a position in the market. Off grade buttermilk is available for the fair feed interest. Prices for Report 3 in 2002 were .9300 - 1.0350.

F.O.B. CENTRAL: .6200 - .7450

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are unchanged to lower and the market tone remains weak. Eastern prices are nominal. Churning activity and, therefore, buttermilk output continues to be heavy. Demand for dry buttermilk is just fair.

F.O.B. NORTHEAST: .7200 - .8150

DELVD SOUTHEAST: .7800 - .8250

**DRY BUTTERMILK - WEST**

Western dry buttermilk prices continue to trend lower in light to moderate trading. The market tone is weak, but some attempts to steady the market are noted. There is resistance to pricing levels, especially when compared to some lower prices being shown in the Central region. Producers' offerings are available from most sources, but volumes are lighter. Stock levels are lower. Drying schedules remains active to process heavy volumes of condensed resulting from butter production.

F.O.B. WEST: .7000 - .7800 MOSTLY: .7300 - .7500

**DRY WHOLE MILK - NATIONAL**

Prices are steady to lower and the market tone is unchanged. Prices remain nominal. Production is mostly lighter as surplus milk supplies ease. Producer stocks are balanced and spot demand remains light. Competition from imported whole milk powder is still being reported at levels below current reported domestically made powder.

F.O.B. PRODUCING PLANT: 1.1075 - 1.1700

**DEIP BID ACCEPTANCE SUMMARY**

JULY 1, 2002 THROUGH JANUARY 10, 2003  
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 42,626 MT (93,973,279 LBS)\*

CHEESE -- 1,894 MT (4,175,512 LBS)\*

\* The second stage of the DEIP allocations is filled.

Allocations for the DEIP year beginning July 1, as announced September 13: Nonfat dry milk -- 68,201 MT; Cheese -- 3,030 MT; Butterfat -- 21,097 MT. However, the second stage of this year's program was announced on November 15 and makes available, as part of the total allocation, an additional 25,576 MT of NDM, 7,912 MT of butterfat, and 1,137 MT of cheese.

**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are unchanged to lower on a weak market. Producers are more apt to hold product than clear stocks below the bottom of the range. Export activity is alleviating heavy stocks at some locations. Multiple load shipments are available for the light interest at the lower end of the range. Spot trade is increasing as buyers and brokers see current prices as "very reasonable" compared to prices last year. Central product remains price competitive with West coast supplies, encouraging sales from the Central region. Grade A product is trading at prices above the range. Production is generally strong with condensed whey supplies readily available at some locations. Mostly prices for Report 3 in 2002 were .2600 - .2850.

F.O.B. CENTRAL: .1500 - .1650 MOSTLY: .1550 - .1600

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are often lower. Some contacts feel that prices can't or will not go much lower. The market tone remains weak. Traders and producers report little market activity for about the fourth week in a row. Production levels are steady and producer stocks are fully adequate. Spot demand is light and contract deliveries are only taking a portion of current output. Some plants are making a made-to-order specialty-type whey, which is helping their supply/demand position.

F.O.B. NORTHEAST: EXTRA GRADE & GRADE A .1600 - .1925  
DELVD SOUTHEAST: .1800 - .1950

**DRY WHEY - WEST**

Western whey prices were sharply lower this week. Stocks continue to build at a rapid rate and sellers continue to reduce prices to keep powder moving. This strategy is successful for some operations. Central powder is still a factor in the Western market and in competition for some export business. Powder production was very heavy over the holiday period. Production has dropped off from that high, but remains heavier than anticipated. Demand is fair at best as most buyers are only buying powder for immediate needs. They will not buy extra loads of powder until a bottom has been put in the market.

NONHYGROSCOPIC: .1600 - .2150 MOSTLY: .1700 - .1950

**ANIMAL FEED WHEY - CENTRAL**

Prices are unchanged to lower on roller ground and milk replacer. The market tone remains steady to weak. Demand for milk replacer is generally good as feed buyers seek low cost substitutes until the Extra Grade whey market settles. Roller ground production is steady and stocks are in balance for the fair demand. Prices for Report 3 on milk replacer and roller ground in 2002 were respectively .2050 - .2600 and .2700 - .2875.

F.O.B. CENTRAL:  
MILK REPLACER: .1450 - .1500  
ROLLER GROUND: .1500 - .1850

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are unchanged on a mostly steady market. Supplies are mixed. While some plants cannot satisfy spot interest, others have product readily available for sale. Increased offerings are noted into some feed facilities. Feed buyers are more accepting of WPC 80% than WPC 34% prices. Domestic WPC 50% and imported WPC 80% are also available at competitive prices. Some producers diluting WPC 80% with whey to obtain WPC 34% are successfully selling supplies to feed users. Movement into food accounts is mostly contractual with some spot interest noted into ice cream accounts. Off grade product from various protein levels is readily available for the light interest. Mostly prices for Report 3 in 2002 were .6500 - .6850.

F.O.B. EXTRA GRADE 34% PROTEIN: .5100 - .5425 MOSTLY: .5100 - .5150

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a steady market. Supplies remain mixed. Some plants are unable to satisfy contractual commitments while other locations have loads to clear. Most movement is occurring on a contractual basis. Interest is best in the international market, especially for 100 and 200 mesh sizes. As WPC 80% production increases, supplies of lactose are expected to increase. Lower prices in the Extra Grade whey market are not being reflected in lactose prices. Lactose production is generally steady. Mostly prices for Report 3 in 2002 were .2075 - .2375.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1550 - .2350 MOSTLY: .1550 - .1800

**CASEIN - NATIONAL**

Casein markets remain firm, although a lower rennet price has been reported. First quarter contracts are now being filled with stocks from Oceania and Europe. The milk production season in the Oceania region, especially in New Zealand, is holding steady at seasonally high levels. Although, milk is being directed away from some products, including casein production and toward products of more need. This has some suppliers questioning Oceania casein availability during the upcoming months. European stocks continue to enter the U.S., but supplies from both regions are in close balance to generally tight.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 1.9000 - 2.1000  
ACID: 1.8000 - 1.9500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. Production is lighter, but surplus milk is still available at reasonable prices in some parts of the country. Producer stocks are being replenished. Demand is seasonally slow, but competition among producers for existing business is very keen.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$18.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume <sup>1/</sup>

Month	01/01	01/02	01/03	01/06	01/07	01/08	01/09	01/10	01/13	01/14
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
DEC 02	NO TRADING	9.70 (1794) 0	9.74							
JAN 03		9.84 (1832) 103	9.80 (1835) 62	9.80 (1743) 87	9.85 (1887) 109	9.82 (1886) 22	9.77 (1905) 40	9.76 (1912) 11	9.76 (1923) 15	9.76 (1927) 5
FEB 03		10.22 (1804) 147	10.12 (1795) 75	10.05 (1789) 64	10.09 (1854) 92	10.05 (1863) 35	9.97 (1872) 43	9.97 (1939) 88	10.07 (1949) 181	10.20 (1976) 78
MAR 03		10.85 (1858) 173	10.75 (1915) 272	10.50 (1936) 157	10.52 (2056) 285	10.36 (2071) 115	10.27 (2080) 45	10.26 (2122) 129	10.35 (2133) 175	10.40 (2169) 86
APR 03		11.19 (1510) 193	11.10 (1532) 91	10.93 (1539) 110	10.97 (1672) 200	10.93 (1704) 118	10.73 (1726) 99	10.70 (1739) 80	10.65 (1741) 206	10.61 (1778) 78
MAY 03		11.58 (1410) 63	11.57 (1469) 130	11.38 (1520) 78	11.40 (1566) 154	11.37 (1608) 97	11.18 (1680) 154	11.18 (1704) 71	11.18 (1747) 187	11.15 (1771) 43
JUN 03		12.18 (1309) 81	12.16 (1382) 93	12.04 (1451) 107	12.06 (1542) 178	12.01 (1595) 104	11.83 (1660) 162	11.80 (1686) 66	11.70 (1784) 118	11.62 (1833) 88
JUL 03		12.67 (1218) 79	12.76 (1267) 56	12.61 (1325) 85	12.62 (1391) 176	12.59 (1476) 144	12.39 (1544) 175	12.40 (1586) 80	12.35 (1648) 94	12.32 (1698) 68
AUG 03		13.02 (1239) 77	13.06 (1285) 60	12.96 (1365) 118	12.97 (1432) 170	12.98 (1503) 115	12.91 (1568) 178	12.86 (1608) 92	12.80 (1681) 129	12.72 (1700) 99
SEP 03		13.38 (1321) 97	13.48 (1375) 62	13.39 (1479) 147	13.44 (1547) 192	13.42 (1607) 72	13.31 (1740) 236	13.33 (1752) 126	13.20 (1814) 112	13.12 (1841) 86
OCT 03		12.67 (983) 49	12.75 (1027) 61	12.67 (1057) 77	12.70 (1212) 190	12.74 (1259) 55	12.67 (1294) 162	12.65 (1338) 82	12.60 (1342) 97	12.52 (1379) 57
NOV 03		12.36 (805) 61	12.45 (851) 58	12.38 (879) 81	12.39 (965) 130	12.40 (1023) 72	12.32 (1088) 121	12.32 (1110) 85	12.28 (1117) 123	12.25 (1178) 99
DEC 03		11.85 (624) 69	11.95 (626) 12	11.89 (631) 83	11.90 (757) 217	11.90 (809) 58	11.84 (870) 112	11.87 (924) 123	11.87 (957) 73	11.85 (986) 56
JAN 04		11.55 (18) 2	11.65 (19) 1	11.65 (19) 0	11.65 (22) 3	11.65 (22) 0	11.60 (54) 27	11.68 (54) 5	11.65 (54) 0	11.60 (56) 2
FEB 04		11.55 (14) 0	11.65 (14) 0	11.62 (14) 0	11.62 (14) 0	11.62 (14) 0	11.62 (46) 27	11.65 (46) 5	11.62 (46) 0	11.62 (46) 0
MAR 04		11.40 (8) 1	11.45 (8) 0	11.45 (8) 0	11.45 (8) 0	11.45 (8) 0	11.45 (39) 27	11.60 (39) 5	11.60 (39) 0	11.60 (39) 0
APR 04		11.30 (6) 0	11.30 (6) 0	11.30 (6) 0	11.30 (6) 0	11.30 (6) 0	11.30 (38) 28	11.60 (38) 5	11.60 (38) 0	11.60 (38) 0
<b>CME - CLASS IV MILK FUTURES - Dollars per cwt.</b>										
DEC 02	NO TRADING	10.55 (132) 0	10.49							
JAN 03		10.50 (59) 0	10.50 (59) 0	10.50 (63) 1	10.45 (64) 1	10.43 (64) 0	10.37 (64) 0	10.37 (64) 0	10.36 (64) 0	10.32 (64) 0
FEB 03		10.55 (38) 0	10.55 (38) 0	10.55 (39) 1	10.55 (39) 0	10.50 (39) 0	10.47 (39) 0	10.47 (39) 0	10.46 (39) 0	10.45 (39) 0
MAR 03		10.50 (22) 0	10.50 (22) 0	10.50 (23) 1	10.50 (23) 0	10.48 (23) 0	10.47 (23) 0	10.47 (23) 0	10.46 (23) 0	10.45 (23) 0
APR 03		10.80 (12) 0	10.80 (12) 0	10.80 (13) 1	10.80 (14) 1	10.80 (14) 0	10.69 (14) 0	10.69 (14) 0	10.69 (14) 0	10.69 (14) 0
MAY 03		10.90 (7) 0	10.90 (7) 0	10.90 (8) 1	10.90 (8) 0	10.90 (8) 0	10.88 (8) 0	10.88 (8) 0	10.88 (8) 0	10.88 (8) 0
JUN 03		11.00 (4) 0	11.00 (4) 0	11.00 (5) 1	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0	11.00 (5) 0
JUL 03		11.30 (1) 0	11.30 (1) 0	11.30 (2) 1	11.30 (2) 0	11.30 (2) 0	11.30 (2) 1	11.30 (2) 0	11.30 (2) 0	11.30 (2) 0
<b>CME - BUTTER FUTURES -- Cents per pound</b>										
MAR 03	NO TRADING	120.50 (360) 8	118.50 (364) 10	118.00 (366) 2	117.50 (366) 8	116.00 (371) 18	115.50 (371) 1	115.50 (376) 6	115.25 (376) 0	115.25 (376) 9
MAY 03		123.75 (251) 11	122.50 (255) 12	121.25 (255) 4	121.00 (258) 3	119.10 (259) 12	118.25 (261) 2	118.52 (268) 7	118.50 (268) 0	118.50 (270) 15
JUL 03		126.75 (174) 20	125.00 (176) 8	123.50 (178) 5	123.50 (181) 4	123.00 (189) 13	122.00 (192) 4	121.50 (207) 15	121.50 (210) 3	121.50 (210) 0
SEP 03		130.00 (92) 20	128.00 (103) 14	127.00 (105) 2	126.50 (109) 6	126.00 (114) 12	125.00 (117) 3	125.00 (151) 37	124.25 (168) 19	124.25 (264) 96
OCT 03		131.50 (54) 27	130.00 (64) 15	128.50 (64) 3	128.00 (65) 1	127.25 (75) 11	126.50 (75) 0	126.50 (92) 20	125.50 (112) 24	125.25 (134) 25

<sup>1/</sup> At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

## INTERNATIONAL DAIRY MARKET NEWS

Information gathered January 6 - 17, 2003

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**OVERVIEW: WESTERN EUROPE:** As the New Year unfolds, weather patterns are now settling into more winter like conditions. Over the year end holidays, wet and cold weather conditions prevailed over much of Europe, but now temperatures have moderated in Western areas. Milk production patterns are reported to be in close comparison to last year at this time. Production estimates indicate that output in Germany is slightly ahead of last year, slightly lower in the U.K., while steady in France. Handlers feel that these three countries are major producers and thus indicate that overall milk production is close to balanced as the current milk quota year begins the final quarter. Within the last month to six weeks, European manufactured dairy product prices, especially for skim and full cream milk powder, firmed significantly in comparison to much of the year. Prices firmed to the point that European prices for skim milk powder were very close or often at U.S. equivalents. This had many European traders concerned about loss of potential sales to U.S. volumes without assistance of a DEIP bonus. Although in recent days, European prices have weakened and thus possibly closing the door to potential sales from the U.S. The USDA has not yet released the final 37% of the yearly DEIP allocation, thus without this bonus, basically cutting off potential sales of the large surplus in the U.S. A firm Euro against the dollar is also impacting weaker European prices. Many traders indicate that current market conditions have buyers in a better position than suppliers. Often lower bids by buyers and heavier volumes of powder held by suppliers/traders, coupled with various amounts of export certificates, are contributing to reported sales at lower prices at this time. As prices weaken, European traders are more encouraged about potential sales as the New Year begins.

**BUTTER/BUTTEROIL:** European butter prices are steady to slightly lower, although the market tone is basically steady. Recent price decreases in other manufactured European dairy products are causing slight declines in butter prices. Stocks of butter are reported to be available for potential buyer needs. Traders and handlers state that sales to Russia are more active than last year. At this point, to what degree this buyer interest will develop, is still unclear.

82% BUTTERFAT: 1,200 - 1,350  
99% BUTTERFAT: 1,400 - 1,500

**SKIM MILK POWDER (SMP):** The European skim milk powder market tone is unsettled and generally weak. Firm prices of a few weeks ago are weakening. Handlers and traders indicate that one factor impacting the current price decline is the strength of the Euro against the dollar. The current weak trend in prices has many traders more comfortable with potential buyer interest. Prior to the decline, European prices were very comparable to U.S. price equivalents. The international market was fully aware of the large stock pile of available powder in the States and thus, European traders were quite concerned about the potential loss of sales of European sourced powder. Some powder producers are already eyeing the opening of intervention on March 1, and in instances, readying production schedules for intervention offerings within a few weeks.

1.25% BUTTERFAT: 1,700 - 1,800

**WHOLE MILK POWDER (WMP):** The recent strength in European whole milk powder markets has slowed and often, prices are lower. Stocks of powder are reported to be available for potential buyer interest. Often buyers are bidding lower prices, thus suppliers are having to consider acknowledging this interest versus holding on to available supplies.

26% BUTTERFAT: 1,700 - 1,815

**SWEET WHEY POWDER:** Whey powder markets are weak as are most manufactured European dairy product markets. Cheese production over the year end holidays was seasonally strong thus additional whey volumes were generated. At this point, buyer interest is slow and unaggressive. Stocks of whey powder are reported to be readily available for both domestic and international buyer interest.

NONHYGROSCOPIC: 420 - 450

**OVERVIEW: EASTERN EUROPE:** Temperatures in Eastern Europe dipped in recent weeks and continue to hold at low levels. Winter has now arrived and weather conditions are more in line with the calendar. Milk production trends are holding at low levels. Milk handlers are not overly optimistic about the upcoming production season, but hope to at least maintain levels of last season. Stocks of manufactured dairy products are low, thus a favorable milk production season could reestablish comfortable inventories.

## OCEANIA

**OVERVIEW:** Milk production patterns in the Oceania region are much the same as in recent weeks. New Zealand's output continues to run 1.5 to 2% above last season. At this time, milk volumes are holding steady at high seasonal levels. In Australia, the milk flow has not improved and continues to trail last season by about 10%. Recent rainfall in drought stricken areas of Australia has had minimal impact on overall moisture levels. Granted, any moisture is welcomed, but significantly more is needed to replenish depleted volumes. Recent price increases in Europe continue to strengthen Oceania prices. Stocks of manufactured dairy products are reported to be in close balance. At this point, most sales activity out of the Oceania region is centered around previous commitments. Shipments are basically on schedule, although some adjustments might be needed depending on how the second half of the milk production season develops. Spot sales are light as surplus volumes of manufactured dairy products are limited. Some milk handlers are indicating that, when possible, milk volumes are being directed toward products of most need and away from others. Some carryover cheese stocks and current production are providing for some milk that is usually destined for the cheese vat to be re-directed.

**BUTTER:** Oceania butter markets and prices are firm. Stocks of butter are reported to be in close balance, but comfortable, for needs. At this time, producers and handlers are indicating that additional stocks are limited for spot buyer interest. Often they state that product may become more available for spot needs as the milk production season winds down.

82% BUTTERFAT: 1,200 - 1,300

**CHEDDAR CHEESE:** Oceania cheese prices and market tone are firm. Recent price increases in other parts of the world are giving strength to Oceania cheddar prices. For the most part, supplies are in good balance with demand. Cheese production continues seasonally active, although some milk is being diverted toward other manufactured dairy products of lower supply and good demand.

39% MAXIMUM MOISTURE: 1,700 - 1,800

**SKIM MILK POWDER (SMP):** Skim milk powder markets and prices are firm. Recent price increases in Europe are being attributed to firming prices in the Oceania region. Although prices are firming, no significant volume of powder is reported to be available for spot buyer needs. Oceania stocks are in close balance for contracted needs. For the most part, milk production within the Oceania region during the current season is not as positive as projected, thus when possible, milk is being directed toward products of most need, of which skim milk powder is one of these products.

1.25% BUTTERFAT: 1,700 - 1,750

**WHOLE MILK POWDER (WMP):** Whole milk powder markets and prices are firm. Stocks of Oceania whole milk powder are reported to be in close balance and basically limited to contracted volumes. Minimal volumes, if any at all, are available for spot buyer interest at this time. Buyers continue to look to the Oceania region for spot needs, but for the most part, these inquiries are going unfilled.

26% BUTTERFAT: 1,750 - 1,800

Exchange rates for selected foreign currencies: January 13, 2003

.6487 Canadian Dollar	.0209 Indian Rupee
.3012 Argentina Peso	.5417 New Zealand Dollar
.0950 Mexican Peso	.5852 Australian Dollar
.2622 Polish Zloty	.0084 Japanese Yen
1.0545 Euro	

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0950)= 10.5263. That is 1 US Dollar equals 10.5263 Mexican Pesos.

Source: "Wall Street Journal"



ANNOUNCED COOPERATIVE CLASS I PRICES IN SELECTED CITIES, ANNUAL AVERAGES, 1999-2002 <sup>1/</sup>												
CITY	1999			2000			2001			2002		
	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference	Announced Coop.	Federal Order	Difference
Dollars Per Hundredweight												
Atlanta, GA	17.94	16.74	1.20	16.11	14.65	1.46	18.31	17.37	0.94	15.86	14.11	1.75
Baltimore, MD	17.71	16.69	1.02	16.01	14.55	1.46	18.92	17.27	1.65	15.76	14.01	1.75
Boston, MA <sup>2/</sup>	17.38	16.90	0.48	15.28	14.80	0.48	18.53	17.52	1.01	15.78	14.26	1.52
Carbondale, IL <sup>3/</sup>	17.36	15.67	1.69	15.47	13.75	1.72	18.18	16.47	1.71	---	---	---
Charlotte, NC	17.94	16.74	1.20	16.11	14.65	1.46	18.31	17.37	0.94	15.86	14.11	1.75
Chicago, IL	16.94	15.06	1.88	15.18	13.35	1.83	17.85	16.07	1.78	14.80	12.81	1.99
Cincinnati, OH	17.53	15.77	1.76	15.56	13.75	1.81	18.24	16.47	1.77	14.81	13.21	1.60
Cleveland, OH	17.18	15.66	1.52	15.25	13.55	1.70	18.04	16.27	1.77	14.61	13.01	1.60
Dallas, TX	17.26	16.82	0.44	15.50	14.55	0.95	17.61	17.27	0.34	15.34	14.01	1.33
Denver, CO	17.72	16.39	1.33	14.76	14.10	0.66	17.53	16.82	0.71	14.41	13.56	0.85
Des Moines, IA	16.43	15.21	1.22	14.55	13.35	1.20	17.26	16.07	1.19	14.11	12.81	1.30
Detroit, MI	16.58	15.51	1.07	14.54	13.35	1.19	17.11	16.07	1.04	14.05	12.81	1.24
Hartford, CT <sup>2/</sup>	17.28	16.80	0.48	15.18	14.70	0.48	18.43	17.42	1.01	15.68	14.16	1.52
Houston, TX	17.80	17.36	0.44	16.10	15.15	0.95	18.21	17.87	0.34	15.94	14.61	1.33
Indianapolis, IN	17.13	15.56	1.57	15.35	13.55	1.80	18.04	16.27	1.77	14.61	13.01	1.60
Kansas City, MO	16.62	15.58	1.04	14.89	13.55	1.34	17.33	16.27	1.06	14.62	13.01	1.61
Louisville, KY	16.84	15.77	1.07	14.94	13.75	1.19	17.49	16.47	1.02	14.28	13.21	1.07
Memphis, TN	17.26	16.43	0.83	15.50	14.35	1.15	17.76	17.07	0.69	15.36	13.81	1.55
Miami, FL	20.40	17.84	2.56	18.62	15.85	2.77	20.81	18.57	2.24	18.36	15.31	3.05
Milwaukee, WI	16.85	14.97	1.88	15.13	13.30	1.83	17.95	16.02	1.93	14.90	12.76	2.14
Minneapolis, MN	15.98	14.86	1.12	14.43	13.25	1.18	17.30	15.97	1.33	14.32	12.71	1.61
New Orleans, LA	17.92	17.31	0.61	16.26	15.15	1.11	18.44	17.87	0.57	16.01	14.61	1.40
Oklahoma City, OK	17.46	16.43	1.03	15.33	14.15	1.18	17.71	16.87	0.84	15.11	13.61	1.50
Omaha, NE	16.52	15.41	1.11	14.57	13.40	1.17	17.31	16.12	1.19	14.16	12.86	1.30
Philadelphia, PA	17.79	16.75	1.04	16.15	14.60	1.55	19.09	17.32	1.77	15.93	14.06	1.87
Phoenix, AZ	16.23	16.18	0.05	14.32	13.90	0.42	16.77	16.62	0.15	13.51	13.36	0.15
Pittsburgh, PA	16.40	15.66	0.74	15.10	13.65	1.45	18.47	16.37	2.10	15.10	13.11	1.99
St. Louis, MO	17.36	15.67	1.69	15.26	13.55	1.71	17.98	16.27	1.71	14.26	13.01	1.25
Salt Lake City, UT	15.84	15.56	0.28	13.70	13.45	0.25	16.43	16.17	0.26	13.21	12.91	0.30
Seattle, WA	16.74	15.56	1.18	14.54	13.45	1.09	16.61	16.17	0.44	13.43	12.91	0.52
Spokane, WA	16.74	15.56	1.18	14.54	13.45	1.09	16.61	16.17	0.44	13.43	12.91	0.52
Springfield, MO	16.90	15.85	1.05	14.95	13.75	1.20	17.29	16.47	0.82	14.67	13.21	1.46
Washington, DC	17.71	16.69	1.02	16.01	14.55	1.46	18.92	17.27	1.65	15.76	14.01	1.75
Simple Average	17.20	16.09	1.11	15.31	14.03	1.28	17.90	16.75	1.15	14.94	13.50	1.44

<sup>1/</sup> These figures are simple averages of monthly prices. The cooperative price represents over-order Class I prices announced for the beginning of the month by cooperative associations in various city markets. The information relates to the major cooperative in each of the city markets and may not apply to all of the Class I sales in these city markets. These data are common market knowledge in the sense that the information represents basic Class I price announcements by the cooperative sent to all handlers who buy milk from them. These announced over-order prices represent charges for various services performed by the cooperative. Announced prices may not include handling or service charges applicable to milk from supply plants. In some instances, the announced over-order prices are not uniform in that competitive credits may be allowed. These prices have not been verified as having been actually paid by handlers. <sup>2/</sup> Data do not include the impact of prices established under the Northeast Dairy Compact. <sup>3/</sup> The price series for this city has been discontinued.

## JANUARY MILK SUPPLY AND DEMAND ESTIMATES\*

Milk production forecasts for 2002/2003 are lowered slightly from last month. Although the rate of decline in cow numbers for the year is reduced from last month, gains in milk per cow continue to lag historical trends. Relatively weak milk prices in 2003 are expected to provide little incentive to increase output per cow. Class III prices are expected to be weaker at \$9.85-\$10.35 per cwt., down slightly from last month, and Class IV price are forecast at \$10.05-\$10.75 per cwt. The all milk price will average \$11.35-\$11.85 per cwt.

Item	2000/01 1/	2001/02 Estimate 1/		2002/03 Projection 1/	
		December	January	December	January
<b>SUPPLY</b>		<b>BILLION POUNDS</b>			
BEGINNING COMMERCIAL STOCKS 2/	8.9	8.8	8.8	11.3	11.3
PRODUCTION	165.2	168.9	168.9	171.3	171.0
FARM USE	1.3	1.2	1.2	1.2	1.2
MARKETINGS	163.9	167.7	167.7	170.2	169.8
IMPORTS 2/	5.4	5.2	5.2	4.8	4.8
TOTAL COMMERCIAL SUPPLY 2/	178.2	181.6	181.6	186.3	185.9
<b>USE</b>					
COMMERCIAL USE 2/ 3/	169.1	170.1	170.1	175.2	174.9
ENDING COMMERCIAL STOCKS 2/	8.8	11.3	11.3	9.8	9.8
CCC NET REMOVALS:					
MILKFAT BASIS 4/	0.3	0.3	0.3	1.3	1.3
SKIM SOLIDS BASIS 4/	6.3	9.6	9.6	7.5	6.8
		<b>DOLLARS PER CWT.</b>			
<b>MILK PRICES 5/</b>					
CLASS III 6/	12.29	11.03	11.03	9.85-10.45	9.85-10.35
CLASS IV 7/	13.88	11.22	11.22	10.00-10.80	10.05-10.75
ALL MILK 8/	14.51	12.76	12.76	11.30-11.90	11.35-11.85
		<b>MILLION POUNDS</b>			
<b>CCC PRODUCT NET REMOVALS 4/</b>					
BUTTER	0	0	0	45	45
CHEESE	17	9	9	15	20
NONFAT DRY MILK	525	817	817	635	565
DRY WHOLE MILK	3	0	0	0	0
<b>MILK PRODUCTION</b>	<b>QUARTERLY 9/</b>			<b>ANNUAL 9/</b>	
	2003 I	2003 II	2003 III	2002	2003
	<b>BILLION POUNDS</b>				
	43.0	44.3	42.0	169.8	171.4
	<b>DOLLARS PER CWT.</b>				
	11.35-11.75	10.85-11.55	11.20-12.20	12.12	11.40-12.20
ALL MILK PRICE 5/ 8/	9.60-10.00	9.75-10.45	9.85-10.85	10.42	9.95-10.75
CLASS III PRICE 5/ 6/	9.75-10.25	9.85-10.65	10.30-11.50	10.81	10.05-11.05
CLASS IV PRICE 5/ 7/					

NOTE: Totals may not add due to rounding. 1/ Marketing year beginning October 1. 2/ Milk equivalent, milkfat basis. 3/ Includes commercial exports. 4/ Includes products exported under Dairy Export Incentive Program. 5/ Projections indicate a range of the average for the quarter or year. 6/ Federal milk order Class III price. 7/ Federal milk order Class IV price. 8/ Milk of average fat test. Does not reflect any deductions from producers as authorized by legislation. 9/ Calendar year basis projection.

\* The World Agricultural Supply and Demand Estimates were approved by the Interagency Commodity Estimates Committee. The members for Dairy are: Shayle Shagam, Chairperson, WAOB; John Mengel, AMS; Arthur Coffing, FAS; James Miller, ERS; and Daniel Colacicco, FSA.

**SOURCE:** "World Agricultural Supply and Demand Estimates," WASDE-394, World Agricultural Outlook Board, USDA, January 10, 2003.

**MAILBOX MILK PRICES FOR SELECTED REPORTING AREAS IN FEDERAL MILK ORDERS  
AND CALIFORNIA, OCTOBER 2002**

In October 2002, mailbox milk prices for selected reporting areas in Federal milk orders averaged \$12.00 per cwt., \$0.60 more than the figure for the previous month. Most of this month-to-month increase results from generally higher Federal milk order minimum producer milk component prices and higher producer milk tests for butterfat and protein. On an individual reporting area basis, mailbox prices increased in all reporting areas, and ranged from \$15.50 in Florida to \$10.87 in Utah. In October 2001, the Federal milk order all-area average mailbox price was \$15.51, \$3.51 higher.

Reporting Area	Mailbox Milk Price <u>2/</u>		
	October 2001	September 2002	October 2002
	Dollars per hundredweight		
Northeast Federal Milk Order	15.38	11.29	11.74
Appalachian States <u>3/</u>	16.20	12.21	12.42
Southeast States <u>4/</u>	16.79	13.10	13.24
Florida	18.55	15.36	15.50
Ohio	15.71	11.19	11.86
Michigan	15.41	11.03	11.68
Wisconsin	15.78	11.46	12.38
Minnesota	15.40	11.48	12.18
Illinois	15.89	11.29	12.15
Northern Missouri <u>5/</u>	15.76	12.03	12.69
Southern Missouri <u>6/</u>	15.59	11.55	11.92
Corn Belt States <u>7/</u>	15.52	11.19	11.94
Western Texas <u>8/</u>	15.88	11.75	12.17
New Mexico	14.43	10.86	11.24
Idaho	13.73	10.52	10.97
Utah	14.47	10.16	10.87
Northwest States <u>9/</u>	14.67	11.07	11.56
All Federal Order Areas <u>10/</u>	15.51	11.40	12.00
California <u>11/</u>	14.06	10.58	NA

NA= Not available.

1/ Information is shown for those areas for which prices are reported for at least 75% of the milk marketed under Federal milk orders. The price shown is the weighted average of the prices reported for all orders that received milk from the area. 2/ Net pay price received by dairy farmers for milk. Includes all payments received for milk sold and all costs associated with marketing the milk. Price is a weighted average for the reporting area and is reported at the average butterfat test. Mailbox price does not include any Milk Income Loss Contract (MILC) payments. 3/ Includes Kentucky, North Carolina, South Carolina, Tennessee, and Virginia. 4/ Includes Alabama, Arkansas, Georgia, Louisiana, and Mississippi. 5/ All counties to the north of Vernon, Cedar, Polk, Dallas, Laclede, Texas, Dent, Crawford, Washington, St. Francois, and Perry. 6/ The counties listed in 5/ and all those to the south of these. 7/ Includes Iowa, Kansas, and Nebraska. 8/ All counties to the west of Fanin, Hunt, Van Zandt, Henderson, Anderson, Houston, Cherokee, Nacogdoches, and Shelby. 9/ Includes Oregon and Washington. 10/ Weighted average of the information for all selected reporting areas in Federal milk orders. 11/ Calculated by California Department of Food and Agriculture, and published in "California Dairy Information Bulletin."

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF JANUARY 13 - 17, 2003			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/02	SAME PERIOD LAST YEAR	WEEK ENDING 01/10/03	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Unsalted	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	343,714	-0-	-0-	-0-
Barrel	41,536	-0-	41,536	337,555	-0-	-0-	-0-
Process	752,400	39,600	712,800	5,623,200	-0-	-0-	-0-
<b>TOTAL</b>	793,936	39,600	754,336	6,304,469	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	14,752,673	1,373,267	13,379,406	138,194,019	113,086,932	1,020,675,000	688,873,000
Fortified	-0-	-0-	-0-	-0-	-0-	46,391,000	38,227,000
<b>TOTAL</b>	14,752,673	1,373,267	13,379,406	138,194,019	113,086,932	1,067,066,000	727,100,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF JANUARY 13 - 17, 2003 =	9.9	163.2	COMPARABLE PERIOD IN 2001 =	2.4	129.0
CUMULATIVE SINCE OCTOBER 1, 2002 =	88.6	1,671.0	CUMULATIVE SAME PERIOD LAST YEAR =	24.9	1,316.3
CUMULATIVE JANUARY 1 - JANUARY 17, 2003 =	14.5	405.4	COMPARABLE CALENDAR YEAR 2001 =	7.9	420.4

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF JANUARY 13 - 17, 2003 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL\$	-0-	-0-	-0-	-0-	-0-	712,800	-0-	-0-
WEST	-0-	-0-	-0-	-0-	41,536	-0-	13,379,406	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

Note: Central\$ covers the same states formerly reported in the Midwest region. The change was made to correlate with the regions reported elsewhere in *Dairy Market News*. The states included are listed in Dairy Market Statistics.

CCC ADJUSTED PURCHASES SINCE 10/1/01 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02	2002/03	2001/02
CENTRAL\$	-0-	-0-	5,623,200	-0-	2,749,365	1,056,541	59.3	0.9
WEST	-0-	-0-	681,269	-0-	135,444,654	111,051,215	40.7	98.2
EAST	-0-	-0-	-0-	-0-	-0-	979,176	-0-	0.9
<b>TOTAL</b>	-0-	-0-	6,304,469	-0-	138,194,019	113,086,932	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 12/28/02 & Comparable Week 2001

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2002-Dairy	0.1	0.6	4.4	2.7	16.2	1.4	0.3	0.7	11.2	1.4	38.9	46.5
2001-Dairy	0.2	0.7	4.3	3.0	16.0	1.2	0.3	0.5	10.7	1.0	37.9	46.2
2002-All cows	0.1	0.7	5.9	8.1	25.3	10.9	11.2	3.3	12.4	5.8	83.7	45.5
2001-All cows	0.2	0.7	4.6	9.4	23.6	7.5	13.6	4.3	12.5	5.6	82.0	

SOURCE The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III (2000-2001) AND BFP (1999) MILK PRICES, (3.5% BF, \$/CWT. FOR COMPARISON PURPOSES ONLY)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
1999	16.27	10.27	11.62	11.81	11.26	11.42	13.59	15.79	16.26	11.49	9.79	9.63
2000	10.05	9.54	9.54	9.41	9.37	9.46	10.66	10.13	10.76	10.02	8.57	9.37
2001	9.99	10.27	11.42	12.06	13.83	15.02	15.46	15.55	15.90	14.60	11.31	11.80

FEDERAL MILK ORDER CLASS PRICES FOR 2002 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2003
I 1/	11.96	11.95	11.62	11.47	11.26	11.03	10.62	10.48	10.46	10.15	10.60	10.52	10.56
II	12.69	12.28	12.19	11.88	11.29	11.19	11.14	11.07	10.91	11.12	11.26	11.62	
III	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74	
IV	11.93	11.54	11.42	11.09	10.57	10.52	10.45	10.41	10.22	10.50	10.58	10.49	

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)